

Proposed 2017 Session Legislation

Agency Name & No: Dept. of Natural Resources & Conservation/57060

Priority Number: 009 Filename: 35-009.xlsx

Short Title: Amendments to Rental Provisions for Commercial Leasing

Agency Contact Person/Phone: Shawn Thomas/444-4978

1. Purpose:

The purpose is twofold: to modify commercial leasing rental provisions to clarify valuation processes, and to allow for extended option to lease periods. Proposed changes will clarify land valuation processes for use within the existing minimum lease fee calculation method, including appropriate consideration of market factors when setting commercial lease fees. A limited valuation method prevents excessive spending on appraisals when the net revenues for the lease do not support the cost, and additionally streamlines the leasing and lease renewal process. Additionally, proposed changes will allow for the board to issue options to lease for longer than two years.

2. Background:

The Montana Legislative Audit Division conducted an audit of the Commercial Leasing Program in 2013. According to their October 2013 report, the department was utilizing alternative valuation methods, authorized under administrative rules adopted by the Land Board, to capture full market value instead of the statutory method that establishes rent as a percentage of the appraised value of the land. Recommendation #2(B) of the audit report was that the Department "Seek the statutory authority to establish annual rentals for commercial leases based on alternative valuation methodologies". The current two year limit on an option to lease does not always provide adequate time to complete necessary work to comply with Montana Environmental Policy Act, specifically for leases proposed for renewable energy development.

3. Fiscal Impact by Fund Type: *This impact should be as specific as possible.*

These changes may reduce operating expense for contracting appraisals. They may also result in increased revenue to trust beneficiaries by assuring that future leases produce larger return to the trust by allowing fee analyses through alternative methods that more accurately reflect the market.

4. Summary Checklist [Check & complete all that apply]--

- ☒ Housekeeping Only ☐ Federal Requirement ☒ Audit Recommendation (Audit No. 13-P03 ☐ Major Legislation
- ☐ Anticipated to be Controversial Legislation ☐ Bill Draft has been included in Legislation Submittal (if available)
- ☐ Supports Submitted EPP Item Number ☐ Local Government Fiscal Impact
- ☐ Increases FTE, or ☐ Decreases FTE by List FTE amount and program
- ☐ Increases Existing Revenue ☐ Tax ☐ Fee ☐ Penalty [amount in #3]
- ☐ Decreases Existing Revenue ☒ Tax ☐ Fee ☐ Penalty [amount in #3]
- ☐ Establishes New Revenue ☐ Tax ☐ Fee ☐ Penalty [amount in #3]
- ☐ Leg. has been Submitted in Previous Legislative Sessions (list priority no, LC no, or bill no):
- ☐ Legislation would affect other state agencies (list):
- ☐ Special Interest Groups Affected (list):
- ☐ Other: